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BRIEFING PAPER

Southern Africa after apartheid

Economic repercussions of a free South Africa

Among several possible scenarios of economic change in Southern Africa following the dismantling of the apartheid political system, the most beneficial for the region as a whole would be one in which the region's governments — including that of a free South Africa — seek to coordinate their development efforts along the lines pioneered by the Southern African Development Coordination Conference (SADCC). Given the great disparities in economic development and living standards in Southern Africa, such an approach could better promote a more balanced development in the region, rather than a focus on "growth" alone, which may worsen inequities.

However, there are well-positioned domestic forces, as well as key donor countries, trade partners and international financial institutions, which will favour policies of sweeping market liberalization. This may lead to an outcome in which market forces play a more undirected role in determining regional trade and investment flows, regardless of considerations of equitable development within each country or within the region as a whole. The most likely post-apartheid scenario would thus be the establishment of some form of market-led integration of the region's economies, albeit within a regional trading bloc.

Although South Africa accounts for three-quarters of the region's total gross domestic product, it will not necessarily dominate the region. Its economy has been facing severe crises, few of its manufactures are competitive internationally, and South Africa depends to an increasing degree on other Southern African countries for such essentials as water and electricity. Perhaps most importantly, a nonracial government will need to concentrate on the domestic challenge of overcoming the enormous social disparities left by apartheid rule.

By Colin Stoneman and Carol B. Thompson

Southern Africa, a region rich in minerals, fertile soils and human skills and labour, has long been unable to realize its potential because of the devastating impact of South Africa's apartheid political system. With the prospect of that system being dismantled in favour of a nonracial, democratic South Africa, the region may at last be in a position to more fully tap its vast resources for the benefit of its peoples.

Yet as the people of Angola, Mozambique and Zimbabwe can vividly attest to South Africans, the end of white minority rule does not automatically eliminate economic inequities and poverty. Will the end of political apartheid bring an end to economic domination by minority interests? Will the lifting of international sanctions allow South Africa to further extend its influence over the region's economies and subordinate them, as some fear? Or will the so-called "power house" of the region spread economic benefits throughout Southern Africa, as others suggest?

There is no question that an end to apartheid destabilization will enable those Southern African countries which have paid the highest price in lives and economic devastation to step up their difficult reconstruction efforts and to shift scarce financial resources from

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defense and security to economic development.

Beyond this, however, many questions remain. Will Southern Africa as a whole be able to build strong economies, emulating the growth experience of the East Asian newly industrializing countries? Or will the enormous disparities in levels of economic development within the region and the demands and challenges of reconstruction, coupled with the flow of a large portion of international resources to Eastern Europe and the Pacific Rim countries, result in Southern Africa's integration into the world market as a marginal and essentially stagnant supplier of primary commodities, as it has been thus far?

In this paper we describe the economic legacies that have been bequeathed to Southern Africa, the nature of the linkages among the various countries of the region and five possible scenarios for Southern Africa's post-apartheid economic future (see box below, and pages 9-12). Much, however, remains speculative. The future of Southern Africa will not be determined by the preferred choices of the various governments or other regional actors alone, but also by world economic trends and the investment and aid decisions of the major industrial powers. And it will, of course, depend on South Africa's own economic and political evolution: how and when apartheid is eliminated, the relationship among South Africa's contending political and social forces and the economic approach, priorities and capacities of that country's post-apartheid leadership.

I. The Problem Stated

Uncompetitive structures All the economies of Southern Africa are small and depend on agriculture and/or the export of minerals. Such manufacturing industry as exists is usually uncompetitive because it was created for a small national market, rarely the regional market, and hardly ever for overseas exporting.

Scenarios for Southern Africa

The economic future of a post-apartheid Southern Africa will be influenced by a variety of factors, including the policies adopted by a new South African government, the legacy of uneven economic development in the region, the countries' existing economic ties and broader trends in the world economy. This paper posits five scenarios:

a) regional **fragmentation**, in which each country strengthens its bilateral overseas links;
b) the persistence of **two sub-groupings**, roughly comprising the two existing regional organizations, the Southern African Development Coordination Conference (SADCC) and the Southern African Customs Union (SACU);
c) regional **market-led integration**;
d) a modified regional **customs union** with South African association with the Lomé Convention; and
e) regional development **coordination** along the general lines pioneered by SADCC.

Only South Africa and Zimbabwe provide partial exceptions to this picture. But even regionally dominant South Africa is a relatively minor actor in the world economy, with a gross domestic product (GDP) that is only about half that of Belgium.

South African dominance Despite its past and present problems, the South African economy accounts for about three-quarters of the region's GDP, and creates about four-fifths of the manufacturing value-added (MVA). With some 35 million people (a third of the Southern Africa total), it thus offers by far the largest national market in the region. Its mining and finance houses are dominant: for example, the Anglo American-De Beers mining consortium alone accounts for most of the region's nickel and diamond production, half of the ferrochrome, and a quarter of the copper.

Unequal income distribution Average national per capita incomes are highly uneven throughout the region, ranging from US$120 for Tanzania to about twenty times this figure for South Africa. *Within* each country, the distribution is almost everywhere much worse, with most rural people (about half the total) estimated to live on around $100 each, whilst a minority compromising 5-10 per cent of the population earn around one hundred times as much.

Debt Most countries of Southern Africa are heavily in debt, with the regional total at around $50 bn, of which South Africa accounts for nearly half. This is a small figure on the world scale, but it is large in relation to population or economic capacity to repay or service. Mozambique, for example, still owes 10 times its annual export earnings even after several donors have written off its debt to them.

Many of the original loans were incurred as a result of these countries' desire to industrialize and break away from dependence on the export of primary commodities. Although some followed poorly conceived industrialization strategies, which involved a large bias against agriculture and exporting, external developments also had a major role in the growth of their debts. Interest rates rose sharply at the same time that world commodity prices collapsed. Tanzania had to buy food overseas in drought years and finance the war against Idi Amin on reduced export earnings. Zambia saw the price of copper, its primary export earner, drop precipitously in the mid-1970s. Both countries, as well as Mozambique, bore high costs for supporting the Zimbabwean nationalists in the war against white rule in Rhodesia.

Low investment The already small internal markets are further restricted by the unprofitability of investment for basic needs and the restricted purchasing power of the majority. This provides domestic industries with an inadequate base for expanding into exporting, with enterprises remaining ineffi-

Southern Africa: economic and social indicators

Country	Population 1990 (millions)	GNP per capita 1989 ($)	Gross domestic product 1989 ($bn)	Real GDP growth (annual avg. % change) 1986-90	Total debt 1989 ($mn)	Actual debt service, as % of exports 1989	Food production per capita 1986-90 (1979-81 =100)	Life expectancy (years)	Manufacturing as % of GDP 1989
Angola	10.0	620	7.72	4.1	6,950	42	83	45	4
Botswana	1.3	1,600	2.50	8.4	510	4	71	59	4
Lesotho	1.8	470	0.34	6.4	320	3	80	56	14
Malawi	8.8	180	1.41	2.7	1,390	28	83	47	9
Mozambique	15.7	80	1.10	3.6	4,740	24	84	47	n.a.
Namibia	1.8	1,030	1.65	2.9	n.a.	n.a.	94	56	5
Swaziland	0.8	900	0.80	5.1	280	5	100	56	n.a.
Tanzania	27.3	120	2.54	3.7	4,920	17	90	53	4
Zambia	8.5	390	4.70	-0.2	6,870	12	97	53	24
Zimbabwe	9.7	650	5.25	3.1	3,090	26	94	58	25
South Africa	35.0	2,470	80.37	1.5	20,600	10	88	62	24

Sources: Africa Recovery from UN, World Bank, IMF, FAO, UNICEF and South African Reserve Bank data. n.a. = not available

cient and vulnerable to lower-cost imports.

Investment has not only been declining in South Africa because of sanctions, but has also remained stagnant throughout most of Southern Africa. Even governments which offered very advantageous terms to investors have received little or no new capital investment. "Improved profit margins are either being paid out as dividends, or being used to finance the bout of acquisitions and takeovers which have become a common feature in all major international markets," explained one report of the Southern African Development Coordination Conference (SADCC).

Low employment A further consequence of low investment is a low ratio of formal employment to population in all countries, ranging from about 5 per cent in Tanzania to about 20 per cent in South Africa. High population growth rates, coupled with low, usually capital-intensive investment, means that only in the special case of Botswana (with its high diamond revenues) are jobs in formal employment being created for more than about 10 per cent of school-leavers. South Africa has the further problem that a high proportion of its unemployed youth have been left poorly educated.

Low growth Regionally, the overall growth rate in the 1980s has been negative in per capita terms, with only Botswana and (marginally) Swaziland and Zimbabwe showing positive figures. South Africa has been near to the average, with GDP per head falling by at least 1 per cent per year on average.

Unstable export earnings All countries in the region, including South Africa and Zimbabwe, are heavily dependent on primary commodity exports. The failure of most of their industrialization plans, caused by uncertain demand and protectionism in Northern markets, the debt crisis, destabilization by apartheid South Africa, and by poor or over-ambitious planning, has led to a renewed emphasis on primary commodity production, urged on by the World Bank and the International Monetary Fund (IMF). Yet the terms of trade for African commodities have been falling. By 1989, Mozambique's terms of trade had fallen to 78 per cent of their 1980 level, in Tanzania to 77 per cent and in Angola to 42 per cent, for example.

II. Causes of the Problem

Colonialism and apartheid The structural distortions of Southern Africa's economies derive from historical forces which exploited the region primarily in the interests of colonial powers and white settlers. Most of the smaller economies were developed as labour reserve areas, to provide hundreds of thousands of migrant workers for the mines and plantations of South Africa and Rhodesia (Zimbabwe). This is a legacy still weighing heavily on Botswana, Lesotho and Mozambique, which cannot readily find alternative employment for returning migrant workers (see graph, page 5).

The absence of a large portion of the labour force weakened peasant agriculture in these countries. In South Africa and Zimbabwe in particular, where commercial agriculture came to be dominated by white settlers, peasants were excluded from the market through discriminatory pricing, alienation of the best land, denial of the subsidies and technical advice advanced to the settlers, and outright prohibition. As a result, peasant agriculture today requires significant inputs at all levels, including transport, storage, new seeds, but above all access to fertile land.

Only in Zimbabwe and South Africa was industry developed to any significant extent, but many of their manufactures are uncompetitive outside the region. In addition, a study of industry in the SADCC countries by the UN Industrial Development Organization (UNIDO) concluded that "a major obstacle to regionally integrated industrial development is the domination of the manufacturing industry

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Apartheid: a human and economic disaster

For South Africa, apartheid has been both an economic disaster and a human tragedy.

Although South Africa generates three-quarters of the region's gross domestic product (GDP), its economy has grown at only a fraction of that of Botswana or Zimbabwe. Economic growth, in fact, has been declining steadily since the 1960s when it averaged about 6 per cent, and recent research has shown that much of the earlier growth was due to special factors, with the economy already held back by apartheid, despite the cheap wages it promoted. Real GDP growth is now barely 1.5 per cent a year, which translates to an annual decline of 1 per cent in per capita terms. The average South African is 12 per cent or more worse off than 15 years ago.

One drag on the economy has been the immediate expense of apartheid itself, including the costs of forced population removals and the duplication (or multiplication) of facilities and institutions.

Although manufacturing contributes over 20 per cent of GDP, the sector has been shrinking in the 1980s at 1 per cent annually. Moreover, capital goods have contributed a declining proportion of total production. The share of machinery in imports has been rising and in exports, falling. South African manufactures are generally uncompetitive outside the immediate region. The economy is over-dependent on mining, especially of gold and coal. Gold still contributes between 30 and 40 per cent of export earnings; minerals and base metals together come to about 80 per cent. Overall, fixed investment averaged about 25 per cent of GDP until 1984, but it has since fallen to 18-19 per cent — little above replacement value.

In 1980, 30 per cent of South Africa's workforce was unemployed; the figure is now over 40 per cent, nearly 6 million people. Without much more labour-intensive investment, growth would have to average 7 per cent and investment rise to 30 per cent of GDP just to create jobs for the new school-leavers, let alone reduce the backlog of unemployed.

Prior to the repeal of the Land Acts in 1991, Africans were only allowed to own land in 13 per cent of the country (the "homelands"), and few can afford better now. White agriculture is much less efficient than is usually claimed, with many farmers subsidized, while others underutilize land that could be farmed well by aspiring black farmers. Land reform is thus a central economic priority, as well as a social and political necessity.

Income and social inequalities are among the most extreme in the world. South Africa's whites, comprising just 15 per cent of the total population, obtain two-thirds of the national income, while Africans, three-fourths of the population, earn just a quarter of the national income (the remainder goes to those classified by the apartheid system as Coloureds or Indians).

In 1985, educational spending per person for the African population was just one-fifth the level of spending for whites. This represents a substantial loss of human capital formation, which a new government will have to reverse. Similiar disparities exist in housing, pensions and health services.

It is difficult to see how the domestic economy can mobilize the investment funds needed to redress the damage of apartheid, and, in the short-term, restore the economy to reasonable growth. As apartheid ends, high expectations will demand more social expenditure on education, health, and housing which will only partly be covered by removing the duplication of apartheid structures. It has been estimated that if the discrepancies in the provision of pensions, health, education and housing are to be eliminated, about R75 bn ($28.5 bn) will need to be spent — more than the entire government budget at present.

Rising expectations will also demand a significant rise in black wage rates. This, however, will make South African industry even less competitive, unless companies opt for more capital-intensive investment, which would, in turn, worsen current unemployment problems.

Although South Africa has a relatively sophisticated financial infrastructure, the expected competition for scarce capital resources will put a high priority on attracting significant injections of foreign financing and investments, by no means a certainty in current global conditions. In any scenario, the South African economy is unlikely to generate any significant surplus to contribute to the development and growth of the rest of the region.

by foreign-owned enterprises, in particular large manufacturing companies and TNCs [transnational corporations]."

Regional destruction South African military and economic destabilization has devastated Angola and Mozambique — and as of 1991 had still not entirely ended. UNICEF estimated in 1989 that a child died every 3.5 minutes due to apartheid-sponsored war, and in all 1.5 million people have died. For all of Southern Africa, according to a study by the UN Economic Commission for Africa (ECA), the estimated economic losses due to South African aggression reached $60 bn between 1980 and 1988, three times the total aid received.

Policy failures A portion of the blame for continuing poverty and deep crisis must rest with some of the independent governments which followed badly formulated and executed policies. The Southern African landscape is strewn with failed projects, inappropriate technology in disrepair, and factories operating at 10 per cent capacity for lack of suitable inputs. These are monuments not only to over-ambitious state policies, but also to the earlier advice — backed up by expensive international consultancies — of international agencies and other aid donors, which have been involved in the region for almost three decades and thus must share the blame.

New mistakes may lie ahead. In Southern Africa, labour-saving modern technology co-exists with labour-intensive industry in an unstable mixture, and old jobs and markets may be lost without the creation of new ones. This problem may be worsened if infant industries, developed under protectionism, lose their safeguards, as recommended by the World Bank and

IMF in their structural adjustment programmes.

Another constraint is the effective prevention of experimentation with policy alternatives to the current orthodoxy of market mechanisms. Policies requiring economic restructuring, especially those involving redistribution, or policies designed to build up indigenous capabilities at the expense of entrenched foreign interests, are liable to trigger negative donor responses, such as the reduction of aid and increased conditionalities attached to loans. For example, both South Africa and Zimbabwe urgently need major land redistributions. But after Zimbabwe passed enabling legislation at the end of 1990, the UK government immediately indicated opposition, serving as a warning that aid levels could be jeopardized if redistributive programmes appear to be too radical.

III. Regional Experience

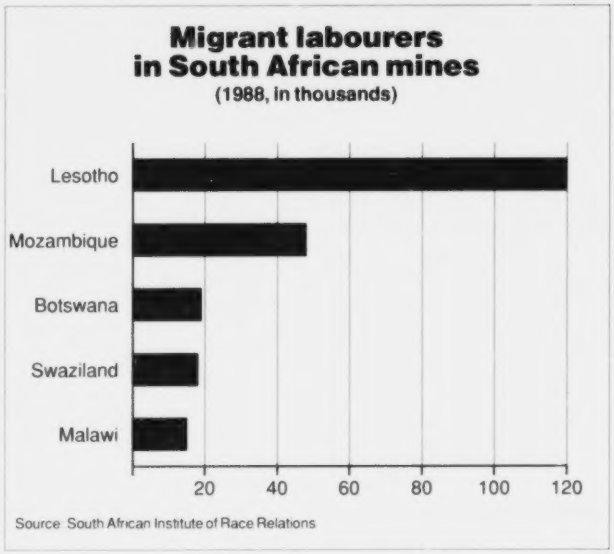
Almost every party and organization with an interest in Southern Africa is currently developing its blueprint for the future of the region. But a prosperous future cannot be constructed from a basis which fails to analyse the causes of the problems or treats countries as *tabulae rasae* on which solutions which worked elsewhere can simply be inscribed. Many outside the region seem to ignore what Southern Africans have been doing for themselves, against the odds discussed above, because it may not fit external priorities and assumptions.

South Africa and its neighbours

A shift in the economic balance of forces within Southern Africa could emerge from the demise of the apartheid political system. The glaring disparities and weaknesses in South Africa's economic and social structure are likely to place huge demands on a post-apartheid government, affecting the external competitiveness of its economy. Regional planning — or bargaining — could thus take place on much more equal terms than is commonly thought.

South Africa has needed the region in the recent past to supply it with cheap labour and to provide a market for its relatively low quality and uncompetitive manufactures, especially as sanctions became more important in other markets. However, higher domestic expectations in the future, generated by the transition to majority rule, may mean that there will not be large surpluses of consumer goods or maize to export to (let alone dump on) the region, and that little South African investment will be available for the rest of Southern Africa. Similarly, pressure to provide more South Africans with jobs will reduce the openings for migrant labourers (except experienced miners from Lesotho). On the other hand, South Africa, facing shortages of skilled personnel, might become more attractive to skilled workers and managers from elsewhere in Southern Africa, resulting in a "brain drain."

South Africa will still need the region in many ways. Maputo, the capital of Mozambique, could again become an important and more economical port for the northern Transvaal than Richards Bay. Even more important is that South Africa has an increasingly desperate shortage of cheap energy and water.



The previous dependence on South African electricity which tied Botswana, Lesotho and Swaziland, and Maputo into the South African grid, has already been reduced. Electricity grids now connect Botswana, Zimbabwe, Zambia, Tanzania, Mozambique and Malawi and further links are planned with the remaining states, including Namibia. Zimbabwe has no need of South African supplies (except to the border town of Beitbridge); it imported about 10-15 per cent of its electricity needs from Zambia (a surplus country) until the Hwange thermal power station came fully on stream in 1987. Plans are currently well advanced both to import from Mozambique's Cahora Bassa dam, originally built to supply South Africa, and to construct a new 1600 MW dam on the Zambezi at the Batoka gorge. Overall, SADCC countries have surpluses of oil, coal and hydroelectricity.

It is South Africa which desperately needs electricity if growth is to be resumed. Even its vast non-renewable energy resources, chiefly coal, may be largely depleted by 2020 if rapid industrialization resumes, and there are few remaining hydroelectric possibilities within South Africa. In the past, Mozambique provided South Africa with as much as 13 per cent of its electricity, vital to Transvaal industry.

Of almost equal importance for South Africa is water. Already it has been in competition for scarce supplies with Botswana and Swaziland, and Mozambique, Namibia and Zimbabwe will need to negotiate with a new South African government over shared rivers and catchment areas.

Lesotho is already heavily involved in South Africa's water shortage: its Maluti mountains are the source of half the total flow of the Senqu-Orange river, running almost 1,500 km

Foreign direct investment into Southern Africa

(Total for period, in $mn)

Country	1980-84	1985-89
Angola	373.6	-27.5
Botswana	307.1	354.2
Lesotho	19.4	37.5
Malawi	13.2	1.0
Mozambique	6.3	1.7
Swaziland	47.7	192.3
Tanzania	33.9	10.1
Zambia	106.0	128.8
Zimbabwe	-0.2	-20.1
SADCC total	907.0	678.0
South Africa	944.0	-453.0

Source: UN Centre for Transnational Corporations, based on IMF, OECD and national government data

through South Africa before emptying into the Atlantic Ocean. The Highland Water Scheme will tame this "white gold" for South Africa, and Lesotho will gain 276 MW of electricity on completion. Critics claim that it transfers too much water to South African control and the financing will place an onerous debt burden on Lesotho. The Lesotho government recognizes the risks, but points out that it currently generates only 2 MW of electricity, mostly from small diesel sets, otherwise importing from South Africa, so in effect Lesotho will be trading water for electricity.

Even with Lesotho's water it is predicted that South Africa could again be short by the year 2020, and some have even suggested constructing a pipeline running 1,200 km from the Zambezi. Clearly this supply could also be in demand in several other countries, and tough bargaining would be involved, with South Africa not holding the best cards.

Finally, one of South Africa's relative advantages, compared to other countries in the region, is diminishing: in 1980 it provided 75 per cent of the West's gold; today it supplies only 40 per cent. Gold reserves were down from 12 mn ounces in 1980 to 3.5 mn ounces in 1988. At the current gold price, 40 per cent of the country's production is unprofitable and 45 per cent of the workforce is labouring in unprofitable mines. With a change of government, wages for miners are likely to rise, making more of the mines unprofitable if the gold price does not improve.

IV. Regional Organizations

The persistence of SACU

The Southern African Customs Union (SACU) was formed about 80 years ago, linking the former British protectorates of Botswana, Lesotho and Swaziland with South Africa. Namibia was a *de facto* member, since it was administered as part of South Africa, and is now a *de jure* member. A customs union represents a further stage of integration beyond a free-trade area (in which internal barriers are removed), having common tariffs on imports from outside the region; however, it is less than a common market in that labour and capital movements remain controlled.

As South Africa collects the tariffs on external imports, this represents a loss of revenue to the other members. To compensate for this, estimates are made of goods entering each country, whether from South Africa or elsewhere, and through a complicated formula counterpart payments are evaluated, often amounting to a high proportion of government revenues in the smaller countries. Unfortunately, payments are made two years in arrears, so the value is reduced significantly by inflation, which has been over 10 per cent in the SACU countries throughout the 1980s, and sometimes nearer 20 per cent. The benefits and costs of membership seem to be evenly divided at the purely financial level, but certain independent policies are clearly ruled out. Because of the small size of the economies, local market constraints effectively rule out classical import substitution policies in any case, although it is worth noting that Botswana has recently invoked one of the clauses which allow some degree of protection of industry against South African competition. This might point to an area of bargaining potential for other countries.

The partial success of SADCC

In 1980, when SADCC was created, the governments of West Germany, the UK and the US openly differed with one of its aims, namely reducing member countries' dependence on South Africa. Mr. Chester Crocker, then US Assistant Secretary of State for African Affairs, termed SADCC at the time as "the triumph of ideological economics ... the region's own folly." By 1988, however, the World Bank's Vice-President for Africa, Edward Jaycox, was describing SADCC as "a functioning example of how regional cooperation in Africa might work," while the UK's then aid minister, Chris Patten, stated that his government believed "that to support SADCC is to support success."

One measure of this changed attitude is seen in SADCC's *Annual Progress Report* 1989-1990, which shows that external funding of over $3 bn had been secured for a range of projects (with $4.5 bn still being sought). Less encouragingly, $2.4 bn of this was concentrated in the area of transport and communications, showing that the success has been rather unbalanced.

How did SADCC come to be described as a success in light of the failures or minimal progress of so many other regional experiments, and furthermore in a continent for which the decade of the 1980s was an almost unmitigated disaster? From its inception the approach of SADCC has contained several ingredients, of which we will focus on three:

- the avoidance of over-ambitious plans dependent on regional bureaucracies;
- the reduction of economic dependence;
- the need for coordination rather than competition.

Although external donors have had reservations about these aims, they have tended to attempt to change their content, rather than attack them directly.

The avoidance of bureaucracy

SADCC operated for its first three years without a central secretariat at all, and even now the secretariat, which is located in Gaborone, Botswana, has only a dozen or so staff. In part this was a reaction against overblown, self-perpetuating bureaucracies (as in the East African Community) which are expensive and soon lose the support of their constituent countries. It has had its disadvantages in that sympathetic donors and investors have not had a centre of recognized authority with which to conduct business, and initiatives have often required a long process of seeking approval from several administrative units.

In practice, the system of allocating specific sectoral responsibilities to member countries has worked well, with coordinating units located in one country, linked to contact points in each other country. A large part of the business of SADCC is conducted through these networks, supplemented by regular meetings of officials, councils of ministers, a summit of heads of state, and finally an annual consultative conference. The latter is the main public face of SADCC, at which prospective donors and investors are presented with proposals, which have usually originated in one country, but which have been screened through the procedures of the relevant coordinating unit. To qualify, proposals have to be relevant to at least two SADCC countries.

The glaring disparities and weaknesses in South Africa's economic and social structure are likely to place huge demands on a post-apartheid government. Regional planning — or bargaining — could thus take place on much more equal terms than is commonly thought.

Reduction of dependence

SADCC's aims, according to its founding Lusaka Declaration in April 1980, included the "reduction of economic dependence, particularly, but not only, on the Republic of South Africa." In practice, the reduction of dependence on South Africa has meant an increase in dependence on other regions, especially the Nordic countries and the European Community. Destabilization by South Africa initially increased transport dependence, through the destruction or closure of routes to ports in Mozambique and Angola; industrial production also fell sharply in those countries. Significant outside assistance for transport rehabilitation and the protection of the transport corridors was forthcoming, mainly from Europe, and partly as an alternative to the imposition of sanctions against South Africa.

SADCC traffic through regional ports
('000 tonnes)

Port	1981	1986	1987	1988	1989	1990
Maputo	5,960	2,480	2,650	2,170	2,630	n.a.
Beira	1,400	1,330	1,950	1,520	1,760	1,830
Nacala	600	220	280	410	419	281
Dar es Salaam	1,940	3,480	3,600	n.a.	4,000	3,640
Lobito	530	470	n.a.	n.a.	n.a.	481

Source: *SADCC Regional Economic Survey*, 1988; *SADCC Annual Progress Report*, 1989-90; and Southern African Transport and Communications Commission.

From the outset, SADCC emphasized that reducing dependence was not an attempt at an uneconomic and artificial separation from "natural" regional links with South Africa, but an effort to reverse the imposed, often uneconomic, links established as a result of colonial structures and, later, destabilization. Thus until 1975, because of the shorter distances involved, about three-quarters of Zimbabwe's trade went through Mozambican ports. By 1984, as a result of South African-backed sabotage in Mozambique, over 90 per cent of Zimbabwe's surface trade had to go through South Africa. It has been estimated that without such destabilization and with the reopening of other routes, only 8 per cent of the SADCC countries' external trade will need to go through South Africa for purely economic reasons.

The early concentration on the transport sector was thus a specific response to a particularly severe situation, aimed at enabling the landlocked countries to restore their export earnings and the coastal ones their port earnings. By early 1991 Mozambique's Beira corridor and port were handling about 2 mn tons of cargo annually — about a third of the SADCC total — and, with the end of dredging and port rehabilitation in sight, port capacity is set to rise to 5 mn tons annually, over half of regional needs. In all, 60 per cent of the transit traffic of the six landlocked states was moving through SADCC ports in 1991, as compared with 20 per cent in 1980.

Satellite telecommunications now directly connect all SADCC countries. Previously, a majority of telecommunications had to be routed through South Africa (or in some cases even Europe). Similarly, airlines link all SADCC capitals, no longer requiring transit through Johannesburg.

Considerable advances, albeit of a less dramatic nature, have also been made in regional food security, energy, and animal disease control. SADCC set food security as the first production priority, and since the drought years of 1982-84, the region as a whole has been technically self-sufficient in grain production, a major achievement. However, problems of pricing, transport, and storage still prevent food from surplus countries, such as Zimbabwe, reaching empty plates in food-deficit countries.

Membership in regional organizations

	SADCC	SACU	PTA*
Angola	●		●
Botswana	●	●	
Lesotho	●	●	●
Malawi	●		●
Mozambique	●		●
Namibia*	●	●	
Swaziland	●	●	●
Tanzania	●		●
Zambia	●		●
Zimbabwe	●		●
South Africa		●	

* PTA also includes 10 other countries in eastern Africa, and Namibia has applied for membership.

Reduction of dependence in some other fields, especially manufacturing industry, has been more difficult. The early over-ambitious industrial plans largely failed to find funding, and only a handful of some 55 planned projects were actually implemented. A more realistic programme is now being formulated. One of the few bright spots has been the continued development of Zimbabwe's manufacturing industry. This now contributes about a quarter of Zimbabwe's GDP, and exports goods not only to the SADCC countries, but also to South Africa, Europe and North America. As an alternative supplier of goods previously imported from South Africa (or elsewhere), it therefore is contributing to a reduction of regional dependence.

However, Botswana, Lesotho, Swaziland and Namibia are still largely captive markets for South African industry because of their membership in SACU. Malawi, Mozambique and Zambia remain quite dependent. Zimbabwe's own imports from South Africa have been cut from about 35 per cent to under 20 per cent of its total imports.

Despite some recent growth in Lesotho's manufacturing sector, that country still remains critically dependent on migrant earnings, mainly from the South African mines, with at least 120,000 workers, a quarter of Lesotho's labour force, employed there. Otherwise, only Mozambique, with about 47,000 workers (about 10 per cent of its wage labour force) in the South African mines in 1987, is seriously dependent. Botswana, Malawi and Swaziland send about 20,000 workers each, but the numbers from other SADCC countries are insignificant.

Coordination, not competition

According to SADCC leaders, because interventions into the market — ranging from colonial discrimination in favour of white farmers to full-scale destabilization causing infrastructural damage — have contributed to the imbalances and structural constraints, it will take similar but opposite interventions to reform the structures. Few problems can yet be left to market forces. There has therefore been a focus on the coordination of investment rather than the promotion of competition, a criticism of the concept of free trade areas, and a parallel emphasis on production rather than trade.

As SADCC Executive Secretary Simba Makoni stated at a conference for business people in Harare in February 1988: "Our approach to increased trade in the region is not based on the orthodox trade liberalization strategies ... we have observed that reduction or even elimination of tariffs and other barriers to trade does not always yield increased trade ... for how can tariffs inhibit trade when there is nothing to trade? ... the greatest single barrier to trade is lack of production. Hence our motto: Let production push trade rather than trade pull production."

SADCC's aspirations — to reduce dependence on South Africa and promote balanced regional development — never excluded the inevitability of substantial links with South Africa. The main aim was to reverse the artificially created, uneconomic levels to which dependence had developed in some areas. SADCC always envisaged that a majority-ruled South Africa would be a candidate for membership, rather than remain a rival.

The partial success of the PTA

The Preferential Trade Area for Eastern and Southern Africa (PTA) was formed in 1981 through an initiative of the UN Economic Commission for Africa. It now has 18 members, including all the SADCC members except Botswana (which finds membership inconsistent with SACU membership) and Namibia, which has, however, applied for membership. The PTA's ultimate objective is "to promote cooperation and development in all fields of economic activity, particularly in the fields of trade, customs, industry, transport, communications, agriculture, natural resources, and monetary affairs."

The key instruments for achieving these objectives are trade promotion mechanisms, including: the gradual reduction of customs duties and non-tariff barriers between members (that is, moving toward a free-trade area); the gradual evolution of a common external tariff with a view to the eventual establishment of a common market; a clearing house allowing short-term payments in national currencies; and a PTA Trade and Development Bank, which began issuing PTA travellers' cheques in 1989.

The elimination of trade barriers applies to goods included on a common list, originally consisting of 200 items but now comprising 319 commodities. Barriers were originally to be eliminated within 10 years (that is by 1992), but the timetable now extends to the year 2000. Rules of origin initially required that products should emanate from companies under PTA management and majority equity control, that import content from outside the region should not exceed 60 per cent and that local value-added should be at least 45 per cent. These rules have been moderated as they excluded most of the key manufactured exports of Kenya and Zimbabwe, and may be

abandoned altogether in order to promote foreign investment.

The main distinction between the PTA and SADCC, therefore, is that the former is primarily trade-driven, while the latter aims first at coordinating production. The PTA has had some success in that the Clearing House is said to be handling about 70 per cent of intra-PTA trade, and the proportion settled in hard currency has decreased from 87 per cent in 1985 to 47 per cent in 1989. There is also an industrial cooperation programme with 52 projects. However, despite some successes, intra-PTA trade remains stuck at about 6 per cent of the member countries' total trade.

V. Future Scenarios

Southern Africa's future is obviously conditioned by the past, but is not solely determined by it. Many uncertainties remain, especially regarding developments in South Africa itself, the reaction of other Southern African countries and the response of external powers. It is not, however, the purpose of this paper to prophesy, but to reflect the debates being conducted by Southern Africans.

The following five scenarios, therefore, are attempts to characterize the main elements of "pure" versions of the most likely outcomes. In practice a hybrid is most likely. Nevertheless, we will offer some probabilities for each of the stylized scenarios to clarify the interests involved.

a) Regional fragmentation

Although regional organizations such as SADCC and the PTA have the official backing of European donors and the World Bank, forces tending toward regional fragmentation are strong. It is not likely that most countries of the region will go their separate ways, but it is possible.

Fragmentation was previously promoted by the South African-financed wars against Angola and Mozambique, undermining their governments' ability to provide even basic security for their people. Pretoria actively sought to foster or exacerbate political divisions among the countries of the region.

Often in desperate economic straits, individual countries in the region also pursued their own bilateral relations with the industrialized countries of the North. Aid, trade and investment ties reflected not only volatile demand in Northern markets for cheap minerals or crops, but also heightened wider market competition within Southern Africa.

The stabilization and structural adjustment programmes of the IMF and World Bank have also contributed to weakening regional cooperation. Each economy is treated as an isolated entity in the international market, with priorities determined by static comparative advantage criteria, based on production patterns developed under colonial rule and under apartheid's shadow. Rapid and steep currency devaluations were often required without regard to the effects on neighbouring currencies. Countries which attempted to cooperate with their neighbours to increase trade within regional organizations, whether through long-term purchase agreements or tariff concessions, found that partners ended up trading outside the region in the name of efficiency — in a context where the world market is not itself genuinely competitive. Mozambique switched from subsidized Zimbabwean white maize to more heavily subsidized but inferior American or European yellow maize dumped on the world market, and from Zimbabwean or South African steel in favour of dumped Brazilian steel of lower quality. In this way, by removing a functional local "distortion" at the behest of the World Bank, a country may end up supporting a worse distortion elsewhere in the world.

"Our approach to increased trade in the region is not based on orthodox trade liberalization strategies.... Let production push trade rather than trade pull production."

— SADCC Executive Secretary Simba Makoni

Contrary to what some analysts have argued, South Africa is also vulnerable to the fragmentation scenario. There is no guarantee that a free South Africa can translate its regional dominance into broader international competitiveness. As the London *Economist* pointed out in 1989, "The Anglo [American Corporation] empire has grown to its present size not because it is more efficient than its worldwide competitors, but because it is a master at running cartels and dominating markets." Can weaker South African corporations, without the protection of cartels, compete effectively on the world market?

Fragmentation and an emphasis on bilateral ties would benefit only a few countries in the region, although some powerful outside interests, looking at short-term profit or growth, would find individual bilateral relations most attractive, since these would tend to reduce Southern Africa's overall bargaining power. By contrast, many in Southern Africa, including nascent indigenous private sectors in Botswana, Zambia and Zimbabwe, look to the region for a base on which to improve quality of production, try out technological innovation, reduce prices, and train personnel.

b) Continuation of two sub-groupings

The *raison d'être* of SADCC has, as we have seen, been the reduction of economic dependence "particularly, but not only, on the Republic of South Africa." One possible (though not very likely) scenario is therefore the continuation of SADCC with roughly the present membership, persisting in a sub-regional effort to reduce dependence on South Africa.

There would be some logic to this approach, given the

Southern African exports

Country	Exports* ($mn)	Leading exports* (% share)	
Angola	3,000	oil coffee	86 4
Botswana	1,266	diamonds	80
Lesotho	69	n.a.	n.a.
Malawi	457	tobacco tea sugar	50 19 11
Mozambique	101	fish nuts, fruits& veg.	44 38
Swaziland	452	sugar	36
Tanzania	407	coffee cotton	26 24
Zambia	1,370	copper	86
Zimbabwe	1,620	gold tobacco ferro-alloys	19 18 11
South Africa	23,816	gold manufactures	40 23

Source: Africa Recovery from UNCTAD, IMF, World Bank and South African Central Statistical Service data. n.a. = not available. * Most recent year available.

disparities between the two sub-regions, and South Africa's likely preoccupation with internal problems. There would be no economic logic, however, to Lesotho, surrounded completely by South Africa, remaining in SADCC rather than in the South African sub-region. There would also be little logic for Swaziland to do so, while more evenly balanced arguments would apply for Botswana and Namibia. Thus the Southern African Customs Union would be expected to remain in existence in this scenario, and might indeed develop into a common market and eventual economic union. The remaining six "core" SADCC states (Angola, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe) could continue to develop much as at present in economic rivalry, albeit more friendly, with South Africa.

SADCC would have to continue with efforts to reduce dependence, across a wide range of areas, but in particular transport, information, industry, trade, banking and labour planning. Without South Africa in SADCC, the other countries would need to be on their guard against market-led efforts, operating from or through South Africa, to weaken their attempts at economic coordination.

Both the European Community (EC) and the international financial institutions now overtly support regional market integration as a step towards world free trade. Their attitude to two competing blocs within Southern Africa would depend on whether the divide had occurred against their preferences, or whether they themselves felt the price of backing a single large region was too high. The latter situation might arise if South Africa's application for association with the Lomé Convention were to be rejected, in part because of the significant additional funding which would be needed both for acountry programme and an enhanced regional programme. For example, if the persistence of the two sub-regions were to be at least partly caused by European unwillingness to extend Lomé benefits to South Africa, the EC's support for the SADCC region would certainly be higher than if the latter decided to exclude South Africa and thus played a leading role in maintaining the division.

c) Market-led regional integration

Regional integration, with market forces dominant in determining trade and investment flows throughout Southern Africa, including South Africa, is now the outcome favoured by the international financial institutions and the leading industrial powers, including such former advocates of a more planned outcome as Sweden. "Integration" is understood to apply internally in this market sense, but there are then several possible interactions with the world market, some of which would not be favoured by external actors. In particular, Southern Africa might in principle develop into a protected customs union (or ultimately full economic union — as in the next scenario), and operate as a trading bloc in the world market. At the other extreme, the removal of internal trade barriers could become (as the proponents of market liberalization hope) just a step toward the removal of external barriers also.

The EC's attitude to SADCC exemplifies a shift that has recently occurred amongst most donors which is likely to be carried through into policy towards the whole region. From supporting SADCC's regional coordination approach, it shifted in 1989-90, during the Lomé IV negotiations, to a position of seeking to promote market integration. Based on the argument that SADCC was concerned with production and other technical matters, whilst the PTA was concerned with trade, the former found its trade projects unfunded by Europe and the regional allocation under Lomé IV was reduced in real terms and now has to be shared between SADCC and the PTA.

Among SADCC countries, a shift to market integration would benefit Zimbabwe disproportionately, given the strength and diversity of its economy and its relatively strong economic growth. Similarly, regional integration in Southern Africa as a whole would primarily benefit the largest of the economies, South Africa, and leave little room for coordination of economic activities by SADCC governments or for national industrialization strategies.

If South Africa became a member of the PTA, it is possible that the whole area's development towards a free-trade area (let alone a customs union) would actually be slowed, with national governments driven to defend their economies against its impact. What is more likely, however, is that the weight of external aid and the associated conditionality would push in the direction of a narrower, purely Southern Africa region, integrated around a South African core. This would probably require Europe to grant South Africa at least associate status in the Lomé Convention, although not full membership. Such a scenario would be opposed by Zimbabwe and other members of SADCC which have realistic hopes of some degree of autonomous development, for the benefits of

participation in a wider market would at best trickle down only in the long run, while the tendency of competition to cause deindustrialization would be felt in the short run.

d) A regional customs union

A more likely scenario seems to be taking shape as a development of the preceding one. The main bargaining partners would be Europe, South Africa and the SADCC countries. Europe would offer South Africa Lomé membership (or similar terms) in exchange for making concessions to SADCC countries in transitional arrangements during their entry into an expanded SACU. Non-SACU members would initially be attached through bilateral trade agreements which would have escalation clauses towards free-trade and then full customs union membership. Smaller and poorer countries would expect to benefit modestly from such a scenario, having few alternatives, or realistic aspirations to more autonomous development.

The main question concerns the incentives that larger and more developed countries, in particular Zimbabwe, would have. If Zambia and Mozambique decide to join, Zimbabwe would probably then have little choice, as it would be surrounded. But it should be remembered that Zimbabwe has had a bilateral preferential trade treaty with South Africa since the 1920s and has usually been able to defend its interests, at least to the extent of protecting its industry. In view of some of the advantages that SADCC countries possess and some of the vulnerabilities of an apartheid-weakened South Africa, bargaining positions may tend to be equalized significantly.

Higher domestic expectations in South Africa, generated by the transition to majority rule, may mean that there will not be large surpluses of consumer goods or maize to export to the region, and that little South African investment will be available for the rest of Southern Africa.

Lomé association for South Africa would actually benefit other countries in the region as well. Although the convention guarantees duty- and levy-free access to EC markets for member countries' manufactured exports, these are in fact restricted by "rules of origin." Thus many Zimbabwean and Botswanan manufactures at present fail to qualify as they contain too much value-added in South Africa before local processing, an exclusion which would fall away if South Africa were also associated. Similar considerations apply to procurement of goods and services within any Lomé member country for EC-funded projects or programmes.

If the smaller economies can negotiate favourable terms with South Africa, such as protection for infant industries, there is no reason why they should not maintain or even raise their level of cooperation with it. Fears of the consequences of a SACU-type outcome may not therefore be justified, for it would be a modified SACU containing a liberated South Africa.

(e) Regional coordination

Early in February 1991 the SADCC Council of Ministers held a meeting attended by representatives of the two main South African liberation movements. It issued a communiqué reaffirming the position of both that "the current dominance of South Africa over the rest of the region would both be undesirable and unacceptable even with a democratic South Africa as a member of the organization." It went on to affirm that cooperation within SADCC, with South Africa as a member, would continue to be based on SADCC's "principles of equality, balance and mutual benefit."

The adherence of the African National Congress to such pronouncements is not merely diplomatic: ANC leader Nelson Mandela has described as "intolerable" and "unacceptable" for a democratic South Africa a situation in which some countries in the region prospered while people in others starved. And the ANC's *Discussion Document on Economic Policy* states: "A future democratic government should actively seek to promote greater regional economic cooperation along new lines which would not be exploitative and which will correct imbalances in current relationships."

South Africa's economic weight provides strong arguments for extending the SADCC development coordination approach to Southern Africa as a whole, including a free South Africa. SADCC has the mechanisms for balancing development throughout the region through consensual agreements on priority investments, first in infrastructure (where national self-interests often coincide), and then in agriculture and industry. The goal is not merely short-term growth but a fundamental change of position in the international division of labour, away from primary commodity production.

Coordinated production helps take advantage of economies of scale and can also facilitate technological innovation and a reduction in vulnerability to outside interests through shared experiences and increased bargaining power. Cost-benefit analysis can be used to rationalize the use of resources and take into account long-term ecological and human costs in a way not easily reconciled with the short-term profit maximization promoted by the market.

The parameters of a solution according to this scenario, therefore, are to continue selective protection of labour-intensive production for basic needs, from food-processing to textiles; and to encourage greater exports of cash crops once staple food production is assured. More capital-intensive manufactures would be promoted for export, in order to earn foreign exchange for imports of needed goods not yet available from efficient national production. These parameters

reflect the Zimbabwean model of the late 1980s, that is, continuing import-substituting industrialization in a protected environment, combined with export promotion, but rationalized on a regional basis.

A scenario of this nature should be most beneficial not only to existing SADCC countries, but also to South Africa itself, as the regional market is enlarged by successful industrialization in a number of areas. But it does not follow that this is the most likely scenario. Powerful external forces are likely to oppose it, and it will not be hard for them to find internal allies. Moreover, the weak bargaining position of all the countries of the region (with the possible exception of Botswana) means that conditionality is cheaply bought by the international financial institutions and the donors.

Relative economic size
(gross domestic product, 1989)

Source: Africa Recovery from World Bank and IMF data

Yet there are also factors which could give regional coordination some chance of success. With the end of the Cold War, world interest in Africa has been declining, a factor which might mean that unorthodox experiments are less readily suppressed. Even if there is an initial lack of outside enthusiasm, economic success could bring international support, as has happened with SADCC itself. In addition, with the increasing criticisms of orthodox structural adjustment's oversimplifications and over-emphasis on the rationality and efficiency of markets, and with the more sensible elements separated from the simply ideological ones, the region may have some room for manoeuvre to try alternative strategies. Even within the international financial institutions, there is increasing acceptance of SADCC Executive Secretary Simba Makoni's observation that "the market is a good servant, although quite clearly a bad master."

VI. Conclusion

Once majority rule comes to South Africa, both it and the region as a whole are likely to lose the world's attention in this post-Cold War era. The moral issue of apartheid will no longer be there to stir public consciousness in Europe and North America, while the decline in superpower rivalry will reduce the West's geo-strategic concerns about the region. This will have two sets of consequences for Southern Africa.

On the negative side, policies that are expedient for external interests rather than conducive to balanced regional development may be promoted with little monitoring or public concern, and without the need to expend significant levels of aid. No "Marshall Plan" for Southern Africa is likely. The region's problems are so great that on the principle of "beggars can't be choosers," it will probably have to accept both inadequate aid and inappropriate conditionality.

More positively, the decline in interest in the region will mean that it will be harder to justify heavy-handed intervention if Southern Africa chooses an independent course. Without the pretext of "Soviet subversion," further catastrophes, supported or allowed by the West as in Angola and Mozambique, are unlikely to recur. There may also be reduced motivation to escalate pressures if economic policies diverge from World Bank norms.

Nevertheless, both external and internal actors will determine which of the scenarios (or which compromise) will be followed. External actors may play a negative role, bringing an outcome near to either the fragmentation or dual sub-region models. Given the market orientation of the external actors, the most likely outcome is market-led regional integration, or a regional customs union. However, Southern Africa may develop and extend the SADCC model.

Whichever model or compromise emerges, it remains clear that the message to a free South Africa of the SADCC experience, and especially the Zimbabwean experience inside SADCC, is that sustained development, not simply short-term profit maximization, is only assured through regional cooperation which addresses the historical inequities of the region. Furthermore, it is a message close to what the anti-apartheid movement is saying inside South Africa: a century of legislated white privilege and black deprivation must be directly addressed and transformed; they will not disappear with one-person, one-vote. The difference for the region is that SADCC already has many of the plans and structures in place and 11 years of practice at addressing regional questions.

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